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C O N F I D E N T I A L SECTION 01 OF 02 HONG KONG 000283

SIPDIS

STATE FOR EAP/CM

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TAGS: PGOV PREL ECON EFIN EINV ETRD HK MC
SUBJECT: MACAU CHIEF EXECUTIVE DOWNPLAYS SIGNS OF
ANTI-FOREIGN SENTIMENT

REF: STATE 10854

Classified By: Consul General Joe Donovan, reasons 1.4 (b) and (d)

¶11. (C) Summary: The Consul General met on February 13 with Macau's Chief Executive (CE) Edmund Ho to deliver reftel talking points and non-paper. The CE confirmed his government's commitment to a level playing field for all investors in Macau, regardless of nationality. He said anti-foreign sentiment in Macau has not increased, despite recent inflammatory public comments by gaming billionaire Stanley Ho (no relation to the CE) and other local residents. The CE believed Stanley Ho's recent outbursts reflected his personal animosity toward Sheldon Adelson, the majority shareholder of Las Vegas Sands Corporation (LVS) - Macau's largest foreign investor. Ho said the GOM would display flexibility toward Macau's six gaming concessionaires, and would support LVS efforts to sell stakes to strategic partners in LVS' unfinished properties in Macau, if necessary. In a separate meeting, MFA Commissioner Lu Shumin said the PRC's recently imposed visa restrictions were designed to protect the savings of "ordinary citizens" and stem the flow of corrupt Mainland officials traveling to Macau with public money. End summary.

¶12. (C) Comment: Statements by our interlocutors in Macau support the CE's assertion that anti-foreign sentiment in Macau has not significantly increased to date. While a disgruntled minority of Macau residents may fear the radical economic and societal changes brought to Macau by foreign gaming company investments, the vast majority have materially benefited. Government surpluses and Macau's gross domestic product have never been higher, unemployment remains low, and real wages have increased significantly. Absent a mass layoff or bankruptcy-related shutdown by one of the foreign gaming companies, we expect anti-foreign sentiment to remain low in Macau. End comment.

Macau CE Committed to Fair Competition

¶13. (C) In a February 13 meeting with Macau's Chief Executive (CE) Edmund Ho, the Consul General discussed Macau's gaming market, GOM regulatory oversight of junket operators, and the anti-foreign investment comments by Stanley Ho and other local residents. Septel will report on their conversation about Article 23 legislation and trafficking in persons. The CG presented the points included in the Department's non-paper (reftel). He emphasized the positive role that American investment continues to play in Macau, and noted that equal treatment for all investors in Macau is crucial to the Special Administrative Region's continued economic success.

¶14. (C) The CE said his government is committed to maintaining an "open economy with a level playing field for all competitors." He said there had been no increase in

anti-foreign or anti-American sentiment in Macau, and Stanley Ho's comments reflected a personal dispute between Ho and LVS majority stakeholder Sheldon Adelson. The CE said, "Stanley can sometimes be a cry-baby. He isn't against foreigners. He just dislikes Sheldon, and vice-versa."

¶ 15. (C) The CE discounted a January 19 public gathering by approximately 50 Macau residents in the Emperor Hotel (owned by Stanley Ho), during which they criticized LVS for stopping work on the company's large construction projects in Macau and "humiliating the Macau people." The CE said such comments were "more anti-government than anti-foreign" and noted that Macau residents were guaranteed the right under Macau's constitution to freely speak their minds. While the CE believed Stanley Ho was not behind the public protest, he said, "Stanley is quite pleased about it, but he doesn't recognize that such things could be bad for him too."

GOM Cooperation With Concessionaires in Downturn

¶ 16. (C) Commenting on the health of Macau's gaming industry during the global economic downturn, the CE said all six of Macau's gaming concessionaires would "come out of this OK." He said, "I give credit to Adelson, because of his vision. But I've told him he moved too fast. The Macau market was not going to be able to absorb all of his investment, even without the economic downturn." The CE said the GOM would be flexible in reviewing LVS asset sale requests, and would allow LVS to bring in strategic partners if necessary. He said the Central Government in Beijing wants U.S. investors' interests in Macau defended, even though "they will not come

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out and say that publicly."

Beijing's MFA Commissioner on Visa Restrictions

¶ 17. (C) In a separate meeting on February 13, MFA Commissioner in Macau Lu Shumin told the CG that Central Government leaders are concerned that "most of Macau's gamblers and dollars" come from the Mainland. Lu confirmed that his office in Macau was not deeply involved in the decision-making process that restricted visa availability for mainland Chinese visitors traveling to Macau. Explaining the rationale for imposing those restrictions, Lu said, "We want to protect ordinary citizens. We don't want them spending their newly built up savings on gambling." Lu also noted that "certain government functionaries" had been coming to Macau with public money. He said Macau must "diversify its development away from gaming." Lu did not believe anti-foreign sentiment in Macau would become mainstream. He said Beijing remained committed to help maintain financial and social stability in Macau, in part to ensure an attractive competitive environment for all investors.

DONOVAN